

Collinsville City Council

Special Meeting/Strategic Session of 8/13/2012

City Council

Mayor Miller called the special meeting/strategic session to order at 6:00 p.m. at Collinsville City Hall with all Council members present.

Input From Residents

Mayor Miller referred to Ordinance 4472. Bob DesPain, 108 Linwood, talked about how even with the money and manpower the public servants have been provided, they still fail. He talked about a state law demanding all subsidiary bodies to meet at times and places convenient to the public. He stated that according to the agenda posted on the website, the Fire & Police Board met at 8:45 a.m. on a Thursday which he feels is not convenient to the public. He stated that Council action should be taken to terminate the Audit Committee. He talked about their members and that they have a vacancy. He talked about Ordinance 2064 which was passed on 3/14/83 when he was Finance Commissioner and described the five functions the Committee was given. He stated that they meet on the same day as the audit is presented and that their function seems quite useless. He stated that 11 years ago the Suburban Journals received \$25,000 of TIF funds for their new office and stated that they have reduced to once a week local news, are flirting with bankruptcy, and have gutted the staff that was supposed to buy City food and gasoline.

Joe Ashmann, 212 Emilie Ct., stated that there are things at Gateway Center that he really likes and they do a heck of a job. He stated that Gateway Center is in financial trouble and that attendance is probably down because the economy is down. He's worried about our country that he thinks is on a slippery slope, and he hopes Gateway Center would become prudent. He has a problem with them wanting TIF money and he feels the City should not use TIF to bail them out. He stated that the Council should be going over their numbers to determine wherein lies the problem before they give them any money. He stated that fixed expenses can't be changed but salaries should be open book and they should talk about what they could do to cut expenses without changing what they do best.

Discussion of TIF Funding for Gateway Center

Mayor Miller introduced Cindy Warke, Executive Director of Gateway Center. Ms. Warke thanked the Council for the opportunity to expand on her initial presentation made on January 9, 2012. She talked about how the meeting and event industry has been adversely impacted by the state of the economy. She will give an overview of how the economic conditions have specifically affected their cash flow, utilization of the facility and their ability to fund capital and maintenance needs. She will also talk about the measures they have taken to counteract the significant decrease in operating revenue they have experienced in the past three years.

She went through a powerpoint presentation showing the number of conventions, trade shows, meetings, etc. from 2008 through July of 2012 noting a significant decrease in the total from 624

in 2008 to 318 through July of 2012. She then talked about who their competitors are. She went over the Center's community involvement noting events such as the Festival of Trees and First Day, being an American Red Cross Blood Drive location, an Ameren UE emergency staging location, etc. She went over large events held between January and May of this year and what the attendance was. She stated that each dollar of convention related spending initiates a broad set of economic interactions that produces additional spending in other sections of a region's economy. She stated that local business re-spend the money received from event attendees through payrolls, supplies and services. She noted the milestone events that have happened at Gateway Center.

She went through a graph of the estimated lodging, food and beverage revenue generated by the eight largest conventions noting an estimated total revenue of \$3,174,965. She stated that the City's portion of the estimated state sales tax generated from Gateway Center's activity between 2/90 through 12/12 is \$302,822. She stated that they hire local law enforcement personnel for security and estimates paying them \$159,000 since the inception of the Center. She went through a list of local suppliers used by Gateway Center.

She then discussed the local tax subsidies pledged to Gateway Center since its inception including the 5% hotel/motel tax and the 1% food and beverage tax (which is only collected from restaurants within the hospitality district, not City-wide). She talked about the TIF funds that were pledged to satisfy any shortage in the bond principal and interest payments for their 2006 building expansion. She stated that on an annual basis, 50% of the TIF funds not needed for principal and interest payments are rebated back to the City while the other 50% are retained by Gateway Center and earmarked for extraordinary maintenance and improvement items. She talked about other centers and how they are funded. She explained their decreased operating revenues since 2008 of about 17% and how they have decreased their operating expenses about 10% during that time frame. She went over measures taken to decrease their expenses such as salary freezes, reduced medical benefits, elimination of their employee retirement plan, freeze on travel for education and training, refinancing of their 2004 bonds, reduced utility expenses, sales of capital assets, etc.

She stated that over the past few years, they are seeing a trend of drawing upon a fairly significant portion of the TIF funds and funds that would normally be utilized to address extraordinary maintenance items in order to satisfy the principal and interest payment on the bonds. She stated that the Center's capital replacement and improvement needs total \$4,711,832. She introduced Jim Ferris, CPA and Treasurer of the Board who went over their long-term financial plans, one that includes capital expenditures and where they will be if the City authorizes for them to receive 100% of the TIF funds versus 50%, and one without capital expenditures. He then presented a graph of their forecasted long-term operating income and expenses. Their hope is to maintain the facility as the jewel that it is for years to come with the help of the City.

Mayor Miller thanked them for the presentation. City Manager Williams asked if there was a consensus from the Council to move this forward to the next agenda. Councilman Tognarelli stated that the next agenda represents a pretty fast decision and he knows we have been discussing this for a while. He wanted to see an ordinance or agreement prior to saying whether

or not to put it on the agenda. He agrees about using the funds for capital improvements. City Manager Williams stated that staff will work with Corporate Counsel to put a document together for the Council's review and the Council can determine when it will appear on the agenda. Mayor Miller asked for an updated list of the needed capital improvements. Councilman Tognarelli stated that he would like the ordinance or agreement to say that the money will be spent on capital expenditures to prevent it from being used on operating expenses. He would also like to see a deadline, whether it's reviewed annually or every few years. Councilman Moss agreed and noted that in 2023, the TIF expires and she would like to know what they will do then without the TIF funding. She stated that they would have to be able to stand on their own at that time and noted that capital expenses won't stop. She agrees with Councilman Tognarelli in setting a deadline or a time line for review at certain times. She feels the Center is a huge asset to the community and the economic engine that it drives.

City Manager Williams stated that Director Ammann has been working with the Gateway Center over the past few years as the City's liaison and monitors their financial activities. He noted that it would be very hard for Gateway Center to do long-term planning without some type of guarantee for funding but he agrees that it shouldn't be for the entire period between now and 2023. He stated that there is no urgent need to vote on this as nothing will happen until the first of the year but he doesn't want to put them off for too long so they can start their planning. Mayor Miller reminded the Council that when the bonds were issued, it was done in coordination with the TIF so when the TIF expires, the bonds will be paid off. Councilman Tognarelli stated that he would like to see language that would keep them from extending those bonds. It was noted that they would have to get City approval before extending the bonds.

Motion to adjourn by Councilman Moss, seconded by Councilman Kypta. Answer on roll call: Ayes - Tognarelli, Moss, Kypta, Dalton, Miller; Nays - None; Absent - None. Time: 7:10 p.m.